

INTRODUCTION

This book was created for you, the small business owner, to teach you everything about securing loans: from choosing loans as a possible financing source for your company, to applying for a loan, to improving your chances of being approved for a loan, to learning everything you need to know about the loan approval process, to staying in control of the loan application process. As an added bonus, this book will help you determine when loans are not an appropriate source of financing, and provide you with inside knowledge on loan officers' expectations, preferences, and pet peeves. This book is a simple, practical, and effective step-by-step guide to achieving your financing goals in the least amount of time.

Many business owners ask why it is important to know how bankers and other lenders think, operate, and make loan decisions. The answer is simple – each bit of knowledge improves your chances of securing the financing your business seeks and brings your company a step closer to becoming more successful than its competition. Let me ask you a question. Would you open an upscale restaurant in a neighborhood that was experiencing an increase in crime? Would you begin developing a software program if several of your competitors were in the process of developing a similar product and were likely to complete it before you did? I hope your answer is either “no” or at least “it depends”. In either case, you conduct the necessary research and adjust your actions appropriately. Another example is a sports team that not only trains, but also studies its competitors' game, and even non-competitors, to learn how to become better. So why would you want to seek debt financing (also known as loans), if you do not know exactly what you are going up against and what the rules of the game are?

To be successful in the financing game, you must learn how to present your request in the most appealing way. This knowledge will ensure that you will not waste your time and money pursuing

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financing you do not have a chance of obtaining, or financing that is not appropriate for your goals. This book will help you focus on what is attainable. Moreover, this knowledge will help you secure the terms, conditions, and pricing that is most advantageous to your company under given circumstances.

Did you know that there are 25 million businesses in the United States, 71% of which have no employees (a one-person show), and an additional 21% of which have fewer than 10 employees?¹ So the majority of businesses in this country are small businesses – your businesses! Over 80% of small businesses use some kind of credit and 55% have taken out some kind of traditional loan.² Loans from owners and from banks are the most common sources of financing for small corporations. Unfortunately, too many small businesses rely excessively on credit cards and other forms of financing, which can actually destroy a company. You must know how to use debt financing to your benefit and be aware of the risks involved. In addition, financing providers need to have confidence that you, the small business owner, can repay the loan. This book will teach you how to instill that confidence when applying for loans and during their repayment period.

Whether your business is located in the United States or another country, one of the top five reasons for small business failure is problems with financing, which includes poor financial structure (also known as a misbalance between the owner's equity and debt money), the inability to secure financing at all, the high cost of borrowing, or even the loss of financing (when a lender or other financing provider decides to close the money tap).³ Thus, financing is the key to every company's success. There is a tremendous amount of information on debt financing in print and on the internet. I daresay there is too much information, most of which does not focus on serving the needs of small businesses. The purpose of this book is to replace volumes of data with simple and practical recommendations and advice that will make your quest to secure a loan or financing more successful.

In this book I will guide you through the process of applying for business loans, so that you can spend more time on managing

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your company rather than painstakingly trying to become a loan procurement specialist. While I recommend reading the entire book, I also encourage you to skip to individual sections if you have a limited amount of time in which to find the information you need at a particular moment. Being a successful businessman or businesswoman does not mean you need to be an expert on everything. What counts is your ability to find answers now, and this book will make sure your questions are answered.

¹US Census Bureau at www.census.gov.

²“Financing Pattern of Small Firms: Findings from the 1998 Survey of Small Business Finance” published by the Office of Advocacy of the U.S. Small Business Administration (SBA) in September 2003.

³“Reasons for Business Failure Come in Three Broad Groups” by Scott Clark; published in the Puget Sound Business Journal on July 18, 1997. “Starting a New Business: Ten Reasons New Businesses Fail” by Nic Cicutti, published on MSN Money Special.